

Board

18 August 2009

Paper No. 09/47

Director of Finance

Financial Monitoring Report for the 3 month period to 30 June 2009

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.9m in excess of its budget for the first 3 months of the year. At this stage the Board considers that a year end breakeven position remains achievable.

The report also includes details of expenditure to date against the Board's 2009/10 capital allocation and a progress report on achievement of the Board's 2009/10 cost savings targets.

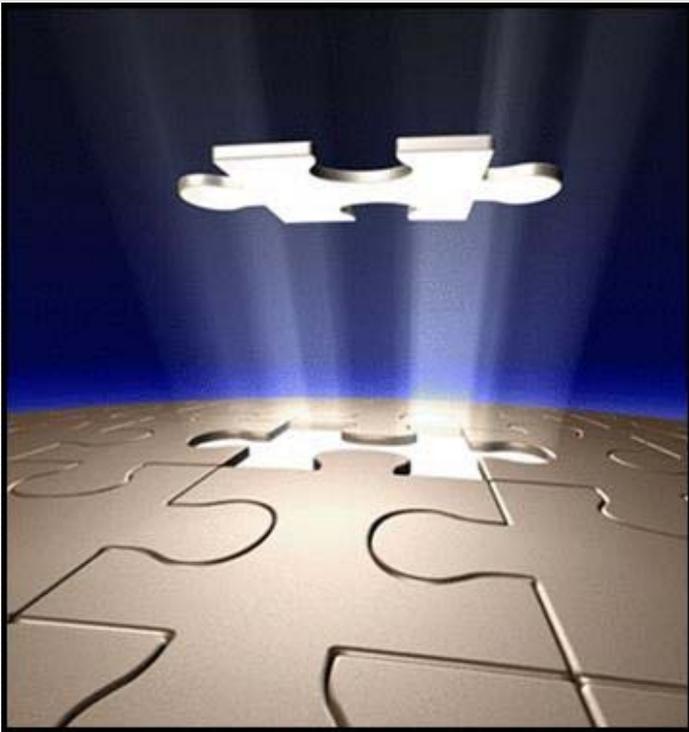
Recommendation

The Board is asked to note the Board's financial performance for the first 3 months of the financial year.

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Director of Finance

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NHS Greater Glasgow & Clyde



**Financial
Monitoring
Report for the 3
month period to
30 June 2009**



The financial monitoring report comprises the following:

1. General overview, including key figures and key comments.
2. Overall income and expenditure summary.
3. Summary of Acute Services expenditure.
4. Summary of CHCP/CHP expenditure.
5. Summary of expenditure within other NHS partnerships.
6. Overview of "Clyde" financial outturn.
7. Overview of capital expenditure outturn.
8. Achievement of cost savings targets – progress report.
9. Glossary of terms

The overview of Clyde financial out-turn is a "supplementary" report, which has been prepared by extracting the "Clyde" elements from each of the different divisional and directorate reports to form a consolidated picture of out-turn for this geographical area of the Board's activities. 2009/10 will be the final financial year in respect of which this report is provided, this being year 3 of a transitional period during which SGHD has provided the Board with transitional funding support in resolving the recurrent financial gap. The purpose of this report has been to assist with tracking progress in resolving the recurrent financial gap which currently exists between funding and expenditure within the "Clyde" area of the Board's operations.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,665.5	664.8	664.8	0.0
Expenditure	2,665.5	664.8	665.7	(0.9)
Surplus/(Deficit) for period	0.0	0.0	(0.9)	(0.9)
Capital Expenditure	145.8	26.6	26.6	0

- At 30 June 2009 NHS Greater Glasgow and Clyde is reporting expenditure levels running slightly ahead of budgeted levels for the first quarter of the year . At this early stage in the financial year the Board considers that a year end breakeven position remains achievable.
- The Board has approved a balanced Financial Plan for 2009/10 which deploys £14.9m of non recurring resources in order to achieve a balanced out-turn for the year. The Financial Plan also assumes that £45.4m of cost savings targets will be achieved. The timing of achieving these cost savings targets will be a key factor in achieving our overall financial target for 2009/10.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.8m over budget for the first 3 months of the year. At this stage a number of Directorates are showing excess expenditure due to the timing of achieving planned cost savings and to a number of pay and non pay cost pressures. Expenditure on energy costs is showing a neutral position at this stage of the year and early indications are that overall expenditure on energy costs will be lower than in 2008/09 and will remain within budget.
- Expenditure on **NHS partnerships** is also running slightly ahead of budget for the year to date although all individual partnerships are operating within £0.1m of budget at this stage of the year.
- Total expenditure for the Clyde area is running in line with budget for the year to date. The Board continues to implement a 3 year cost savings plan for addressing the recurring deficit within the Clyde area of its management responsibilities. As in previous years it is expected that a breakeven position will be achieved through a combination of planned cost savings, transitional funding and non recurring cost savings. Further details are provided on page 8 of this report.
- A detailed report on achievement of cost savings targets is included on page 10. At 30 June 2009 the Board has achieved savings of £10.0m against a year to date target of £11.0m. At this stage the Board is currently forecasting full achievement of its 2009/10 savings targets. This will continue to be closely monitored during the remainder of the year as delivery of this savings target is crucial to achievement of the Board's revenue plan for the year.
- The level of capital expenditure is in line with plan and reflects the timing of expenditure across a wide range of programmes.

2. Income & Expenditure Report



Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,234.4	553.1	553.1	0.0
Other Health Boards	200.4	51.0	51.0	0.0
National Services Division (NSD)	58.3	16.1	16.1	0.0
Additional Cost of Teaching (ACT)	18.3	4.5	4.5	0.0
NHS Education	58.7	14.9	14.9	0.0
Other Income	95.4	25.2	25.2	0.0
Total Income	2,665.5	664.8	664.8	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,472.5	372.3	373.1	(0.8)
CHCPs/CHPs	813.0	202.5	202.8	(0.3)
Other NHS Partnerships	172.7	46.0	46.0	0.0
Corporate Departments	27.5	7.5	7.4	0.1
Resource Transfer (Note 1)	85.6	22.6	22.6	0.0
Other Healthcare Providers	64.1	13.9	13.8	0.1
Approved Funding for Expenditure Commitments not yet underway	30.1	0.0	0.0	0.0
Total Expenditure	2,665.5	664.8	665.7	(0.9)
Surplus / (Deficit) for the Period	0.0	0.0	(0.9)	(0.9)

Notes:

1. In addition to budgeted Resource Transfer of £85.6m for Greater Glasgow, a further £23.9m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £109.5m.

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2008/09 values and updating these to take account of inflation. While final values still remain to be confirmed we do not anticipate significant difficulties in securing budgeted values for 2009/10. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which when updated will enable the Board to reach agreement on final values.
- At 30 June 2009 the Board had £30.1m of funds allocated for expenditure commitments approved but not yet under way. This mainly consists of earmarked funding received to date in respect of specific service commitments together with residual provision for Agenda for Change assimilation costs. This funding will be applied to service budgets when deployment of the aforementioned funding allocations has been agreed.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	271.8	68.6	68.7	(0.1)
Emergency Care & Medical	207.6	51.8	52.0	(0.2)
Rehabilitation & Assessment	129.2	32.8	33.3	(0.5)
Diagnostics Directorate	164.5	41.4	41.6	(0.2)
Oral Health	19.0	5.6	5.3	0.3
Regional Services	117.6	30.7	30.6	0.1
Women & Childrens Services	149.7	38.6	39.4	(0.8)
Facilities Directorate	157.4	43.5	43.5	0.0
Capital Charges	81.7	23.3	23.3	0.0
Acute Divisional Services	142.0	36.0	35.4	0.6
Approved Funding for Expenditure Commitments not yet underway	32.0	0.0	0.0	0.0
Total Acute Services	1,472.5	372.3	373.1	(0.8)

- At 30 June 2009, Acute Services are reporting expenditure levels running £0.8m higher than the year to date expenditure budget of £372.3m.
 - Within individual Directorates there are a number of areas where expenditure is running ahead of budgeted levels although these are currently being offset by reduced expenditure elsewhere. These are:
 - Nursing pay costs due to changes to enhancement rates arising from the implementation to date of Agenda for Change and the impact of successful grading appeals;
 - Additional non pay costs for cleaning and maintenance; and
 - Additional expenditure within the Rehabilitation & Enablement Directorate on surgical supplies and orthotics.
- In addition, the timing of cost savings plans has contributed to the out-turn to date.
- Board Members will recall that during 2008/09 the impact of increased costs of gas and electricity created a significant additional cost pressure for the Board. NHS Scotland has now forward purchased the majority of gas and electricity required for the winter period at tariffs that are considerably lower than the tariffs in place during 2008/09. At this stage the anticipated energy costs for NHS Scotland are expected to be in line with expectations for 2009/10 and to remain within budget.

4. CHCPs and CHPs - NHS Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	110.0	27.0	27.1	(0.1)
North Glasgow CHCP	65.0	16.0	16.1	(0.1)
South West Glasgow CHCP	69.3	17.3	17.3	0.0
South East Glasgow CHCP	79.2	19.9	19.9	0.0
West Glasgow CHCP	113.4	27.9	27.9	0.0
Total Glasgow CHCPs	436.9	108.1	108.3	(0.2)
East Renfrewshire CHCP	40.2	10.1	10.1	0.0
East Dunbartonshire CHP	48.5	12.3	12.3	0.0
South Lanarkshire CHP	34.8	8.7	8.7	0.0
North Lanarkshire CHP	8.5	2.1	2.1	0.0
West Dunbartonshire CHP	68.0	17.0	17.0	0.0
Inverclyde CHP	59.4	14.9	14.9	0.0
Renfrewshire CHP	116.7	29.3	29.4	(0.1)
Total Non Glasgow CHPs/CHCPs	376.1	94.4	94.5	(0.1)
Total CHPs/CHCPs	813.0	202.5	202.8	(0.3)

- Overall expenditure levels within CHCPs and CHPs are running slightly over budget at 30 June 2009 with all individual partnerships operating within £0.1m of budget for the first quarter.
- In previous years, Clyde CHPs reported increased expenditure against budget as a result of the the impact of available General Medical Services funding for the Clyde area being less than related expenditure commitments largely related to the Quality and Outcomes Framework (QOF) of the GMS Contract. Within its Financial Plan the Board has made available funding cover for this particular cost pressure for 2009/10 and 2010/11. This is reflected in the Clyde CHP budgets for 2009/10 thereby removing the deficit. It should be noted that Clyde CHPs are tasked with developing plan(s) to contain these costs within service budgets by 2011/12.
- Overall prescribing expenditure is reported in line with budget based on the availability of 2 months expenditure information. As expenditure trends become clearer with the availability of data relating to June and July it will be possible to obtain a clearer picture of progress towards achieving the Board's cost savings target of £7.0m related to primary care prescribing. This will continue to be kept under close scrutiny during the remaining months of the year.

5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	126.3	31.5	31.5	0.0
Learning Disabilities Services	12.7	3.1	3.2	(0.1)
Addictions Services	16.9	4.3	4.3	0.0
Services for Homeless People	3.9	1.0	0.9	0.1
Other Partnership Budgets (note 1)	12.9	6.1	6.1	0.0
Total Partnerships	172.7	46.0	46.0	(0.0)

- Expenditure levels within other NHS Partnerships are running close to financial breakeven at this stage of the financial year.
- Within Mental Health Services the costs associated with Extra Contractual Referrals have moved back into line with budget as a result of planned action taken by the Mental Health Partnership to contain costs. There remain some cost pressures within inpatient nursing costs in both Greater Glasgow and Clyde however these are being offset by reduced expenditure in other areas. The cost pressures within inpatient services are being reviewed with a view to bringing expenditure back into line with budget by the year end.
- Expenditure on Learning Disabilities Services is running closely in line with budget.
- At this stage the financial out-turn is not highlighting any other significant cost pressures with compensating overspends and underspends generally levelling out to a close to breakeven position across all Partnerships.

Note:

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/IT etc) for all Partnerships and CHPs/CHCPs and funding for approved expenditure commitments that has not yet been passed out to service budgets.

6. Clyde Financial Position

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	247.9	61.9	62.0	(0.1)
CHPs	176.1	44.2	44.3	(0.1)
Other NHS Partnerships	34.4	8.8	8.8	0.0
Total Expenditure	458.4	114.9	115.1	(0.2)

- ❑ The table above shows the out-turn of the Clyde area against budget for the main operational service areas. At 30 June 2009 overall expenditure for the Clyde area was running close to budget.
- ❑ The opening Clyde expenditure budget for 2009/10 was £12.0m in excess of available funding before taking account of 2009/10 cost savings targets attributable to Clyde of £6.0m. After taking account of these cost savings targets and the cost of playing in additional funding of £1.2m to cover a long standing Clyde GMS cost pressure, the net recurrent deficit is £7.2m.
- ❑ For 2009/10 the Board has now reached an agreed position with SGHD regarding how the residual gap at 1 April 2009 will be addressed. The planned final position for 2009/10 is summarised in the table below. Assuming savings targets are achieved the remaining recurring gap for Clyde at 1 April 2010 will be £7.2m.

Funding Source	Recurring £m	Non Recurring £m	Net Position £m	Status
Recurring funding gap at 1 April 2009 (original £26.0m less £7.0m recurring savings achieved in 2007/08 and £7.0m in 2008/09)	12.0	0.0	12.0	
Less: Savings/Transitional Funding Cost Savings Plan 2009/10 (£6.0m recurring savings contribution attributable to Clyde)	6.0		6.0	Currently being implemented
Add: Funding provision for long standing Clyde GMS Pressure	(1.2)		(1.2)	
SGHD transitional funding relief		4.0	4.0	Confirmed by SGHD
Additional non recurring savings		3.2	3.2	Currently being implemented
Residual gap at 31 March 2010	7.2	(7.2)	0.0	

7. Capital Expenditure Summary

	£m
Sources of Funds	
Gross Capital Resource Limit at 30 June 2009	114.9
Add: Anticipated Allocations	13.3
Add: Capital Receipts	0.6
Add: Brokerage b/fwd from 2008/09	47.0
Less: Brokerage c/fwd to 2010/11 (to be confirmed)	(30.0)
Total Capital resources for 2008/09	145.8
Use of Capital Funds	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	175.8
Less: Slippage to be carried forward (specific schemes to be identified)	(30.0)
Total utilisation of funds for 2008/09	145.8
Expenditure to Date	
Expenditure to 31 January 2009	26.6
Balance to be spent by 31 March 2009	119.2
Total Forecast Expenditure for 2008/09	145.8

- The Board's Capital Plan for 2009/10 was approved by the Board on 23 June 2009.
- At 30 June 2009 the Board's anticipated capital funding (Capital Resource Limit) for 2009/10 was £114.9m. Further allocations of £13.3m and capital receipts of £0.6m are anticipated which will increase the allocation for 2008/09 to £128.8m. The Board had previously agreed with SGHD that £47.0m of brokerage carried forward from 2008/09 would be available for use in 2009/10. At SGHD's request the Board is currently reviewing its likely out-turn for 2009/10 to assess the potential for capital slippage. Initial indications are that this could be of the order of £30m which is reflected in the summary above. SGHD are seeking early confirmation of potential slippage to assist with managing the impact of a reduced forecast in capital receipts from property sales across NHS Scotland. The Board expects to finalise its forecast of capital slippage with SGHD during August. As a result the Board's estimated capital funding for use on 2009/10 approved schemes is anticipated to be £145.8m.
- Total expenditure incurred to 30 June 2009 on capital schemes which had already been approved in earlier years was £26.6m.

8. Cost Savings Targets

- In developing its Financial Plan for 2009/10 the Board requires to set a cost savings target that will:
 - enable the Board to achieve a balanced out-turn;
 - meet the SGHD requirement to achieve a 2% recurring reduction in costs against its revenue allocation as part of the Scottish Government Efficiency Savings Initiative; and
 - enable a balanced financial position to be restored Clyde by 2010/11.
- Achieving the Board's cost savings target will be a key element in determining whether a balanced out-turn for 2009/10 will be achieved. The total cost savings challenge for 2009/10 has been set at £45.4m and targets have been set from a combination of local initiatives applied to all service areas and eleven Area Wide Strategic Reviews. The targets from local initiatives total £29.2m (£23.0m from the Acute Division and £6.2m from NHS Partnerships) with the balance of £16.2m represented by the strategic reviews. At the end of June savings targets for all but £2.0m of the Board's Cost Savings plan have been confirmed.
- The table below shows how this overall savings target breaks down across the main service areas, the associated savings target for each area and the actual savings achieved for the first three months of the year. "Expected savings" reflects the phasing of savings plans during the year.
- At 30 June 2009 the Board is reporting achievement of £10.0m of recurring savings against a year to date target of £11.0m. At this stage the Board continues to forecast full achievement of savings targets for 2009/10 but this will be kept under close review during the remaining months of the year.

Description	Recurring Target £'m	Expected at 30 June £'m	Achieved at 30 June £'m	Under Achieved £'m
Acute Local Schemes	23.0	5.3	4.5	0.8
Partnerships Local Schemes	6.2	1.6	1.6	0.0
Area Wide Strategic Reviews	16.2	4.1	3.9	0.2
Total	45.4	11.0	10.0	1.0

9. Glossary of Terms

Income:

- ❑ **SGHD Income** - This represents the funding allocation received directly from the SGHD for the treatment of Greater Glasgow & Clyde patients and is based on the Arbuthnott formula. This can also be described as the Greater Glasgow & Clyde NHS Board's Revenue Resource Limit (RRL).
- ❑ **Income from other Scottish NHS Boards** - This represents income received from other Scottish Health Board areas for the treatment of their patients in Greater Glasgow & Clyde hospitals.
- ❑ **National Services Division** – This represents income received for national services provided by Greater Glasgow & Clyde hospitals.
- ❑ **Additional Cost of Teaching (ACT)** - This represents funding received from the SGHD to recognise the additional costs incurred by Boards that have responsibilities for training junior doctors.
- ❑ **NHS Education** - This represents funding received from NHS Education to cover the basic salary of doctors in training.
- ❑ **Other** - This includes all other Hospital and Community Services income sources and miscellaneous income.

Expenditure:

- ❑ **Acute** – This represents expenditure on the Acute Division clinical and management support services.
- ❑ **CHCPs/CHPs** – This represents expenditure on services provided within CHCPs including services provided by Primary Care practitioners.
- ❑ **Other NHS Partnerships** – This includes expenditure on Mental Health and Learning Disabilities inpatient services and also services for patients with addictions and for homeless persons.
- ❑ **Corporate Departments** – This represents expenditure on area wide and support services and other costs where budgets are not devolved to operational service areas, for example Payroll, Corporate Planning and Public Health.
- ❑ **Other NHS Providers** - This represents expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients where service agreements are in place.
- ❑ **Unplanned Activity (UNPACS)** - This is a provision for expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients, which are not embraced within service agreements.
- ❑ **Resource Transfer** - This represents funding transferred to local authorities under partnership arrangements for the provision of care in the community and related services.
- ❑ **Other Healthcare Providers** - This represents the cost of services provided by other healthcare providers to Greater Glasgow & Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- ❑ **Approved Funding for Expenditure Commitments not yet Underway** - This represents the total of provisions made within the Board's Revenue Plan where expenditure estimates remain to be firmed up. It is anticipated that this will reduce over the remainder of the year and expenditure estimates are firmed up and funding is released to service providers.